

# Department of Finance

Analyst: Freeman

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2003 Total App</b>	<b>FY 2003 Actual</b>	<b>FY 2004 Approp</b>	<b>FY 2005 Request</b>	<b>FY 2005 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	3,349,600	2,984,600	3,443,800	3,624,600	3,637,100
Percent Change:		(10.9%)	15.4%	5.3%	5.6%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	2,589,300	2,305,300	2,626,000	2,755,400	2,779,800
Operating Expenditures	673,600	647,600	712,800	760,200	748,300
Capital Outlay	86,700	31,700	105,000	109,000	109,000
<b>Total:</b>	<b>3,349,600</b>	<b>2,984,600</b>	<b>3,443,800</b>	<b>3,624,600</b>	<b>3,637,100</b>
Full-Time Positions (FTP)	43.00	43.00	43.00	44.00	44.00

## Department Description

The Department of Finance regulates the enterprises in this state that provide financial services to Idaho consumers. It protects Idaho consumer buyers and borrowers against unfair lending and collection practices, and protects Idaho investors against deceptive and fraudulent investment practices.

The department is given broad discretionary authority to charter and regulate the activities of banks, bank holding companies, business and industrial development corporations, credit unions, trust companies, and savings banks. The department examines the books, records and operations of these institutions' assets, operations, and management to determine what actions the state will take to assure the safety of funds of Idaho citizens. (Idaho Code 67-2701)

The Department of Finance is the licensing authority for residential mortgage brokers and bankers, regulated lenders, collection agencies and retail sellers of goods and services extending credit to their customers, securities issuers, broker/dealers, salesmen, investment advisers, endowed care cemeteries and continuing care providers. Licensing and regulation of these activities includes the review of securities offerings to ensure full disclosure, and examination of the books, records and business practices for compliance with state and federal laws, rules and regulations. The commodity code gives the department enforcement authority to resolve mortgage related consumer complaints. The department issues rulings in connection with attempts by corporations to acquire control of publicly held Idaho corporations pursuant to purchases of a controlling number of equity securities.

The department administers and enforces the Bank Act, Savings Bank Act, Mortgage Company Act, Business and Industrial Development Corporation Act, Credit Union Act, Idaho Credit Code, Securities Act, Commodity Code, Corporate Take-Over Laws (Idaho Control Share Acquisition Act, Idaho Business Combination Law), Collection Agency Act, Residential Mortgage Practices Act, Continuing Care Disclosure Act, and the Endowed Care Cemetery Act.

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## Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2004 Original Appropriation</b>	<b>43.00</b>	<b>0</b>	<b>3,443,800</b>	<b>43.00</b>	<b>0</b>	<b>3,443,800</b>
Removal of One-Time Expenditures	0.00	0	(135,000)	0.00	0	(135,000)
<b>FY 2005 Base</b>	<b>43.00</b>	<b>0</b>	<b>3,308,800</b>	<b>43.00</b>	<b>0</b>	<b>3,308,800</b>
Personnel Cost Rollups	0.00	0	52,600	0.00	0	52,600
Inflationary Adjustments	0.00	0	7,000	0.00	0	0
Replacement Items	0.00	0	136,500	0.00	0	136,500
Nonstandard Adjustments	0.00	0	(30,100)	0.00	0	(35,000)
Change in Employee Compensation	0.00	0	23,800	0.00	0	48,200
<b>FY 2005 Program Maintenance</b>	<b>43.00</b>	<b>0</b>	<b>3,498,600</b>	<b>43.00</b>	<b>0</b>	<b>3,511,100</b>
1. Financial Examiner/Investigator	1.00	0	70,000	1.00	0	70,000
2. Attorney General Fees for Paralegal	0.00	0	56,000	0.00	0	56,000
<b>FY 2005 Total</b>	<b>44.00</b>	<b>0</b>	<b>3,624,600</b>	<b>44.00</b>	<b>0</b>	<b>3,637,100</b>
Change from Original Appropriation	1.00	0	180,800	1.00	0	193,300
% Change from Original Appropriation			5.3%			5.6%

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2004 Original Appropriation</b>	43.00	0	3,443,800	0	3,443,800
<b>Removal of One-Time Expenditures</b>					
Remove funding provided for one-time items.					
Agency Request	0.00	0	(135,000)	0	(135,000)
Governor's Recommendation	0.00	0	(135,000)	0	(135,000)
<b>FY 2005 Base</b>					
Agency Request	43.00	0	3,308,800	0	3,308,800
Governor's Recommendation	43.00	0	3,308,800	0	3,308,800
<b>Personnel Cost Rollups</b>					
Includes the employer-paid portion of estimated changes in employee benefit costs. The two biggest factors are health insurance rates which are projected to increase by 17 percent, from \$5,548 to \$6,493 per employee; and retirement system (PERSI) rates that will increase by over 6% to 10.39 and 10.73 percent of salary for regular and police/firefighter members, respectively.					
Agency Request	0.00	0	52,600	0	52,600
Governor's Recommendation	0.00	0	52,600	0	52,600
<b>Inflationary Adjustments</b>					
Includes a general inflationary increase of 1.9% in operating expenditures and trustee/benefit payments.					
Agency Request	0.00	0	7,000	0	7,000
The Governor recommends no increase for general inflation.					
Governor's Recommendation	0.00	0	0	0	0
<b>Replacement Items</b>					
Capital Outlay: 10 PCs (\$50,000), 2 servers (\$20,500), 3 printers (\$12,000) and 1 vehicle (\$20,000). Operating Expenses: 4 software upgrades (\$34,000)					
Agency Request	0.00	0	136,500	0	136,500
Governor's Recommendation	0.00	0	136,500	0	136,500
<b>Nonstandard Adjustments</b>					
Reflects reductions in Attorney General, Controller and Treasurer fees pursuant to the Statewide Cost Allocation Plan. Also reflects a reduction in Risk Management property/casualty rates and an increase in building services space charge.					
Agency Request	0.00	0	(30,100)	0	(30,100)
Funding for Building Services space charge is not recommended by the Governor.					
Governor's Recommendation	0.00	0	(35,000)	0	(35,000)
<b>Change in Employee Compensation</b>					
Reflects the cost of a 1% salary increase for permanent and group positions.					
Agency Request	0.00	0	23,800	0	23,800
The Governor recommends a compensation increase of 2% to be distributed based on merit. No adjustment to the pay line is recommended.					
Governor's Recommendation	0.00	0	48,200	0	48,200
<b>FY 2005 Program Maintenance</b>					
Agency Request	43.00	0	3,498,600	0	3,498,600
Governor's Recommendation	43.00	0	3,511,100	0	3,511,100

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
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## 1. Financial Examiner/Investigator

This enhancement would provide 1 FTP and related ongoing and one-time funding for a Financial Examiner / Investigator position. This request derives from a significant increase in the number of persons and companies regulated by the Department, and the need for examination of those companies. In addition, a new Payday Loan law came into effect July 1, 2003 which requires the Department to implement a separate licensing and examination procedure for payday lenders.

Agency Request	1.00	0	70,000	0	70,000
<i>Governor's Recommendation</i>	<i>1.00</i>	<i>0</i>	<i>70,000</i>	<i>0</i>	<i>70,000</i>

## 2. Attorney General Fees for Paralegal

The Department of Finance has requested the addition of a paralegal to their legal staff. Two deputy attorneys general are currently assigned to this agency, and in addition to normal advice and legal services, their litigation caseload has increased significantly. The Department has established a policy goal to increase collection of court-ordered restitution for injured investors. The services of a paralegal, to assist the deputies, would substantially further that goal and allow more efficient use of attorney time. The Office of the Attorney General and the Department of Finance are proposing to have the Department of Finance provide funds for the first year's costs directly with a cash transfer into the General Fund, and then to move to the General Fund for a revenue neutral solution in the following years. The General Fund will be reimbursed in future years from the Department of Finance through statewide cost allocation.

Agency Request	0.00	0	56,000	0	56,000
<i>Governor's Recommendation</i>	<i>0.00</i>	<i>0</i>	<i>56,000</i>	<i>0</i>	<i>56,000</i>

### FY 2005 Total

Agency Request	44.00	0	3,624,600	0	3,624,600
<i>Governor's Recommendation</i>	<i>44.00</i>	<i>0</i>	<i>3,637,100</i>	<i>0</i>	<i>3,637,100</i>

### Agency Request

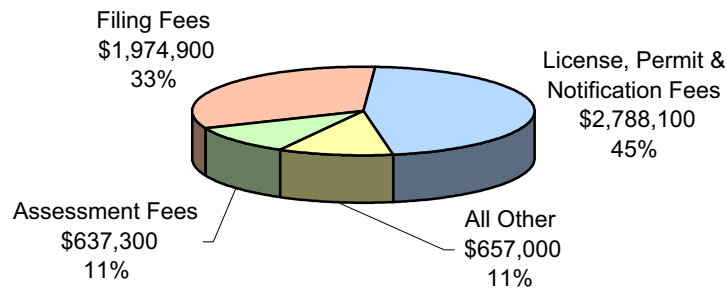
Change from Original App	1.00	0	180,800	0	180,800
% Change from Original App	2.3%		5.3%		5.3%

### *Governor's Recommendation*

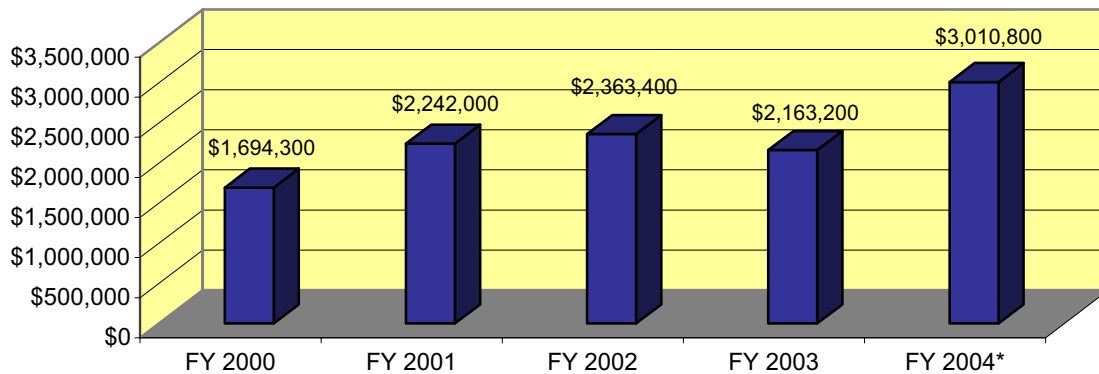
<i>Change from Original App</i>	<i>1.00</i>	<i>0</i>	<i>193,300</i>	<i>0</i>	<i>193,300</i>
<i>% Change from Original App</i>	<i>2.3%</i>		<i>5.6%</i>		<i>5.6%</i>

### FY 2003 Actual Revenues

Total - \$6,057,300

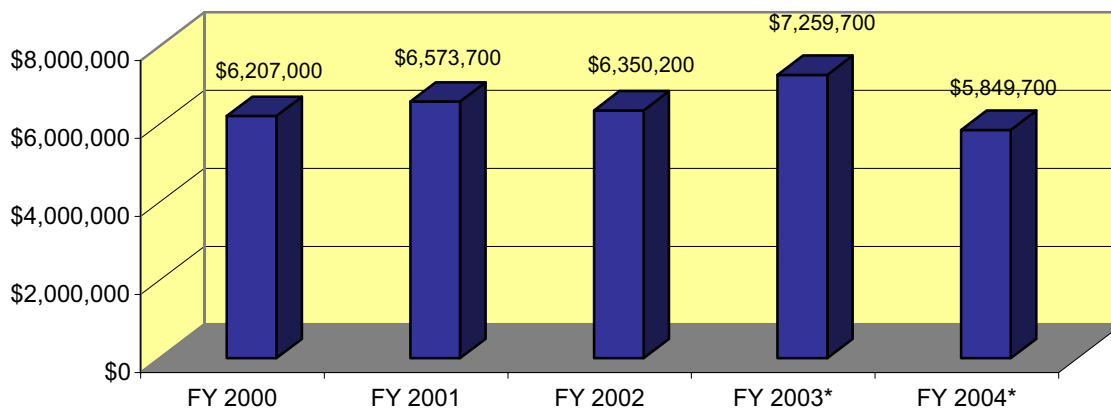


### Transfers to General Fund



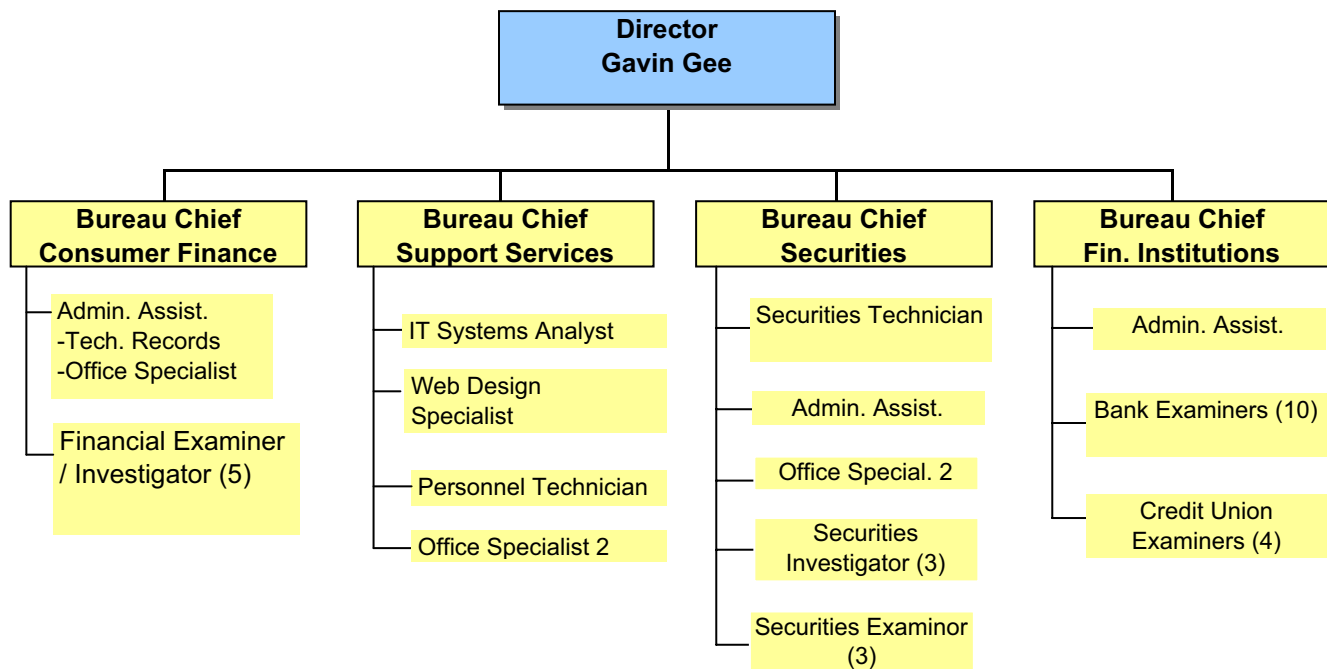
At the beginning of each fiscal year, those moneys in the financial administration account which exceed the current year's appropriation plus any residual encumbrances made against the prior year's appropriations by 25% or more shall be transferred to the general fund. Idaho Code §67-2702(2)(f)

### Financial Administration Fund Balance



\* Figures are based on revenue projections.

## Organizational Chart



## Performance Measures

Selected Measures	FY02	FY03	FY04 Est.	FY05 Est.
<b>1. Examine state</b>				
a. Examine banks.	27	31	33	28
b. Examine savings banks.	1	1	0	2
c. Examine credit unions.	38	29	40	40
d. Examine collection agencies.	31	43	50	50
<b>2. License individuals</b>				
a. Money transmitters.	40	42	44	44
b. Those extending consumer credit.	2,527	2,730	2,800	2,800
c. Collection agencies (permit renewals).	436	480	500	500
d. Solicitors/Collectors.	31,235	43,253	44,000	44,000
e. Securities broker/dealers.	1,555	1,480	1,500	1,500
f. Securities salesmen agents.	60,945	56,480	57,000	58,000
g. Securities investment advisors.	610	639	650	650
h. Securities investment advisor agents.	822	1,007	1,050	1,050
i. Residential mortgage broker/lenders.	1,150	1,372	1,400	1,400